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MANAGEMENT OF BOSTON'S OVERTIME

When carefully managed, overtime can be a cost-effective alternative to hiring additional personnel. When overtime is not controlled, it can lead to increased costs with no commensurate rise in service delivery. Boston's overtime expenditures for city and county departments have increased by 120.9% over the last three years. That rise is attributable principally to higher wages and increased city services. As the Boston enters a tighter fiscal period, the City needs to manage overtime more carefully, particularly at the department level. Systems and procedures should be implemented to better monitor and control overtime usage and department heads should be held accountable for living within their annual overtime budgets. The Administration, in the next round of collective bargaining discussions, should be better prepared to assess the impact on the overtime budget of changes in work rules such as increased vacation time, personal days and minimum hours. Management should seek more flexibility in scheduling employees for off-hour and weekend shifts on a straight-time basis. Finally, the City should step up its efforts to reduce workers compensation claims and the need to provide replacement coverage for injured employees on an overtime basis.

Overtime expenditures in city and county departments more than doubled over the last three years because of higher wage rates, more scheduled and unscheduled time-off and an increased demand for services in an expanding economy. From fiscal 1985 to fiscal 1988, overtime expenditures for city and county agencies increased by $15.9 million or 120.9%. The table below lists the ten departments with the highest overtime expenses during this period. These agencies accounted for 96.4% of all overtime paid in fiscal 1988. That year, the Police Department spent more on overtime than the entire City spent three years earlier and seven of the ten departments surveyed more than doubled their overtime expenditures. For the departments listed, overtime also increased as a percent of regular payroll from 6.4% to 10.3%. During this time, these same departments added 679 full-time-equivalent positions to the payroll, an increase of 7.4%.

CITY/COUNTY OVERTIME EXPENDITURES

	FY 1985	FY 1986	FY 1987	FY 1988	% Increase FY 1985-88
Total City/County	$13,114,235	$16,085,308	$22,182,930	$28,971,151	120.9%
Ten Largest Departments	$12,796,676	$15,688,164	$21,635,053	$27,916,516	118.2%
Police	5,660,045	6,378,766	10,349,647	13,265,000	134.4%
Health and Hospitals	3,254,603	4,213,373	5,172,741	7,173,628	120.4%
Fire	1,421,865	1,161,425	2,153,673	2,655,430	86.8%
Penal	918,514	1,565,454	968,850	863,449	-6.0%
Public Works	889,000	1,157,434	1,550,000	2,033,220	128.7%
Suffolk County Jail	329,444	513,462	462,575	475,116	44.2%
Election *	132,257	335,263	222,882	366,808	177.3%
Parks and Recreation	109,727	205,727	351,626	599,612	446.5%
Parks and Rec./Cemetary Div.	49,423	77,332	108,747	121,126	145.1%
Transportation-Traffic	31,798	79,928	294,312	363,127	1042.0%

* FY 1988 was a mayoral election year. The last mayoral election was FY 1984 when overtime costs were $527,826.

Collective bargaining increases and the provision of additional services were the major factors contributing to the growth in overtime during this period. Salary increases were responsible for approximately one-third of the overall increase in overtime costs. An increase in overtime usage accounted for the remaining two-thirds.

Collective Bargaining

The average salary of employees in these ten departments increased by 30.9% over the last three years. That figure does not include retroactive salary increases to July 1, 1987, not yet paid to over 200 superior officers in the Police Department and over 200 correctional officers in the Penal Department. A general wage rate increase of 6.5% per year was the standard in the last round of collective bargaining agreements, effective July 1, 1987 through June 30, 1990. However, when negotiated position upgrading and step increases are considered, the average salary of city workers who are members of the American Federation of State and County Municipal Employees (AFSCME) union increased by over 12% from fiscal 1987 to fiscal 1988. AFSCME is the City's largest union representing over 3,000 municipal employees.

Negotiated increases in benefits such as personal leave and minimum hours also have contributed to an increase in overtime expenditures. In the new Boston Firefighters contract, all members are given the option to cover four personal days leave, up to 14 hours each, at their overtime rates. This one contract provision cost the City $1.5 million in overtime in fiscal 1988. The Patrolman's Association, in its last contract, negotiated an increase in minimum court overtime for off-day appearances from three to four hours. The City paid $3.5 million in court overtime in fiscal 1988. Approximately one-half of these expenditures were attributed to court appearances of less than three hours. This means that the cost to the City of the one extra overtime hour is approximately $440,000.

Overtime Usage

The number of overtime hours worked by employees in these ten departments increased by approximately 67% from 1985 through 1988. The increase in overtime hours is primarily the result of efforts to increase service delivery. Weekend parks maintenance, neighborhood cleanups, and a seven day abandoned car program are a few examples of the kind of programs that the City initiated over this period. The City's inability to negotiate regular Wednesday through Sunday shifts to provide such services on a straight time basis also contributed to an increase in overtime usage.

ESTIMATE OF OVERTIME HOURS

	FY 1985	FY 1986	FY 1987	FY 1988	% Increase FY 1985-88
Police	306,816	325,386	497,008	600,000	95.6%
Health and Hospitals	262,899	309,134	347,956	390,295	48.5%
Fire	74,047	56,514	98,487	111,525	50.6%
Penal	63,354	110,049	57,690	47,677	-24.7%
Public Works	66,075	80,818	102,376	114,812	73.8%
Suffolk County Jail	20,853	28,202	23,160	21,122	1.3%
Election	8,791	20,273	12,795	18,635	112.0%
Parks and Recreation	7,883	13,913	22,742	33,108	320.0%
Parks and Rec./Cemetary Div.	3,550	5,230	7,033	6,688	88.4%
Transportation-Traffic	2,143	4,929	16,895	18,754	775.0%
Total	816,412	954,448	1,186,143	1,362,616	66.9%

Overtime expenditures at the Police Department and the Health and Hospitals Department combined for approximately 71% of the overtime paid to all city and county employees. For the Police Department, the increase in overtime hours was primarily the result of increases in investigations and court time as arrests were up 63.4% from calendar 1984 to 1987. These two categories combined for 39.3% of all overtime paid in fiscal 1988. Other programs with large overtime expenditures in fiscal 1988 were rapid response ($1.2 million), special events ($852,000), public housing ($662,000), beats ($601,000), traffic ($555,000), and "911" ($374,000). For the Health and Hospitals Department, a shortage of nurses and laboratory technicians, a higher incidence of workers' compensation claims and increased ambulance service were the key causes of the increase in overtime usage during this three year period.

The Penal Department was the only department to reduce overtime usage from fiscal 1985 while the Suffolk County Jail essentially managed to hold the line in spite of an 18.9% increase in average daily population and a 20.2% increase in trips to and from other institutions transporting detainees to trial. An increase in full-time-equivalent positions of 19.6% at the Jail and 27.9% at the Penal Department helped to control overtime expenditures, as did their commitment to reduce discretionary overtime usage. The Penal Department, in its fiscal 1988 program budget, was the only department of the ten listed to target overtime as a problem to be addressed. The Jail instituted swing shifts for officers responsible for transporting prisoners, after determining that this one program was absorbing the majority of overtime expenditures.

Other Factors

An increase in job related injuries during this period also contributed to the rise in overtime costs. Workers compensation costs increased by 92.8% from fiscal 1985 for the ten departments surveyed. That figure does not include "injured on duty" payments, estimated at $6,000,000 per year, to policemen and firefighters who receive full pay if hurt on the job. Absenteeism of any kind has cost implications, particularly for departments which operate 24 hours each day and must provide coverage on an overtime basis for absent employees. The City has hired a consultant to assist it in addressing this problem. A report outlining 21 recommendations for change has been completed and a pilot program designed to reduce workers compensation claims is underway in the Penal and Transportation Departments.

WORKERS COMPENSATION EXPENDITURES

	FY 1985	FY 1986	FY 1987	FY 1988	% change FY 1985-88
* Police	$53,429	$36,248	$63,049	$86,195	61.3%
Health and Hospitals	936,430	972,604	812,163	1,740,241	85.8%
* Fire	31,468	34,193	16,087	57,214	81.8%
Penal	186,524	274,752	239,478	658,900	253.3%
Public Works	252,128	236,601	244,946	338,616	34.3%
Suffolk County Jail	40,770	58,775	62,279	48,247	18.3%
Election	11,374	13,878	9,943	20,408	79.4%
Parks and Recreation	81,536	109,717	98,454	142,229	74.4%
Parks and Rec./Cemetary Div.	9,771	12,343	8,143	34,095	248.9%
Transportation-Traffic	263,771	284,841	274,218	473,418	79.5%
Total	$1,867,201	$2,033,952	$1,828,760	$3,599,563	92.8%

* Civilian employees only.

Labor shortages and a higher turnover rate caused by the strong local economy increased the need for replacement coverage on an overtime basis. Shortages were particularly acute in the areas of entry level maintenance workers and of health care providers. As the pool of qualified candidates dwindled, some departments made conscious decisions to expend more overtime rather than fill vacant positions with new and untrained employees, many of whom would not last the probationary period. In these cases, the increase in overtime expenditures was partially offset by a savings in the regular salary account.

Perhaps the most compelling reason for the increase in overtime over the last three years is simply that the City had more money to spend. From fiscal 1985 through 1988, gross general revenue increased by 22.8%. However, City and County Departmental operating expenditures increased by 37.6%, bolstered by a slower rate of growth in fixed costs and the elimination of deficit appropriations. That fact helped to drive the increase in the general wage rate and ultimately a demand for more services, resulting in increased overtime costs.

Overtime Management and Control

The annual city operating budget consistently underestimated the level of overtime actually utilized during this period, calling into question the value of the budget to control overtime expenditures. In fiscal 1988, the Police Department spent twice its original overtime budget and the Public Works Department spent almost three times its initial overtime allocation. These budget variances were funded through supplemental budgets or reallocations of funds. Over the last three years, the City Council has approved supplementary appropriations totaling $20.0 million, $23.4 million and $22.8 million, respectively.

ACTUAL OVERTIME EXPENDITURES AS A % of INITIAL BUDGET

	FY '85	FY '86	FY '87	FY '88
Police	123.0%	138.7%	164.3%	210.6%
Health and Hospitals	214.1%	124.2%	129.3%	170.6%
Fire	109.4%	86.0%	105.1%	111.8%
Penal	167.0%	156.5%	168.2%	158.1%
Public Works	444.5%	385.8%	215.3%	282.4%
Suffolk County Jail	119.8%	136.9%	91.8%	84.5%
Election	126.0%	319.3%	176.9%	152.1%
Parks and Recreation	73.2%	205.7%	351.6%	191.6%
Parks and Rec./Cemetary Div.	109.8%	128.9%	181.2%	213.5%
Transportation-Traffic	106.0%	177.6%	233.6%	223.5%
Total	145.8%	138.5%	148.6%	180.3%

The constraints of the City's central personnel/payroll and accounting systems have fostered the development by some departments of PC-based management systems to monitor

overtime usage, shifting the controlling data base from City Hall to the department. For departments which have developed their own management systems, managers are provided the data necessary to make better decisions. Expenditures are recorded as they are incurred, rather than when they are posted to the City's accounting system. For example, the Parks Department has developed an in-house system to track overtime and other expenditures by month, by specific program area. Area managers are evaluated on their adherence to monthly budget plans. The Police Department has recently begun to chart overtime in sufficient detail to begin to manage areas of heavy usage. The Health and Hospitals Department has its own payroll system which tracks overtime hours and dollars in a manner consistent with health care reimbursement requirements.

Recommendations

1) Overtime expenses need to be more carefully manage as the City enters a tighter fiscal period. The City has no formal overtime policy at this time. The Office of Budget and Program Evaluation (OBPE) should establish a set of control variables, such as overtime as a percent of salary, to evaluate how much is too much. Department heads need to be held accountable for living within their annual overtime budgets.

2) The Administration, in its next round of collective bargaining discussions, needs to quantify the precise impact of non-wage related benefits such as vacation leave, personal days, minimum hours and guaranteed overtime on the operating budget. The average city employee is now entitled to a maximum five or six weeks vacation, 13 holidays, 15 sick days and in some cases four personal days. For a policeman, working a cycle of four days on and two days off, that's over 20% of his or her scheduled work year.

3) The Administration should seek more flexibility in scheduling employees for off-hour and weekend work on a straight-time basis. New initiatives like the arterial street sweeping program and neighborhood cleanups are typically scheduled on weekends or after the regular work day. Staggered shifts and a Wednesday through Sunday work week are two ways to reduce the need for overtime coverage for night and weekend activities.

4) In the short term, management systems like the one employed by the Parks Department should be replicated in other city agencies where none presently exist. The ability for a department to track overtime by function is essential to efficient delivery of services. All department heads should develop systems to track usage by program and expense type. They also should develop procedures to ensure that all overtime is approved by the appropriate official(s) prior to the overtime being incurred.

In the longer term, the Administration should develop and implement an automated, mainframe human resource system that would be able to capture overtime and other salary expenses by program and type on a more timely basis. Minimally, the system should be able to pay an employee for overtime worked on a weekly basis and to distribute overtime and other earnings from a single check into more than one account. The constraints of the City's current personnel/payroll system have hindered the efforts of OBPE to enforce budget compliance.

5) The City should step up its efforts to reduce workers compensation claims. The increase in workers compensation claims over the last three years has resulted in lost city services and increased overtime expenditures. The City's ongoing pilot program with the Transportation Department and the Penal Department, if successful, should be expanded to other city agencies as soon as possible. The incidence of workers compensation claims should be included as a measurement criteria in departments with high or rising workers compensation expenditures.